



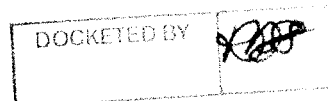
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ARIZONA CORPORATION COMMISSION
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Commissioner Kristin K. Mayes, Chairman
Commissioner Gary Pierce
Commissioner Paul Newman
Commissioner Sandra D. Kennedy
Commissioner Bob Stump
Arizona Corporation Commission
1200 W. Washington St.
Phoenix, AZ 85007

Re: *Comments of the Arizona Investment Council on Draft ACC Policy Statement regarding Utility Disincentives to Energy Efficiency and Decoupled Rate Structures; Docket Nos. E-00000J-08-0314 and G-00000C-08-0314*

Dear Commissioners:

For the past three years, the Arizona Investment Council ("AIC") has offered testimony and comments in rate cases, workshops and open meetings in full support of revenue decoupling for natural gas and electric utility companies. AIC believes revenue decoupling is an absolutely essential component of achieving the aggressive energy conservation requirements imposed on these companies.

In the absence of revenue decoupling or other formulaic rate mechanism, the utility companies have little incentive to aggressively pursue energy efficiency measures, because they will be unable to recover the fixed costs that are included in the volumetric charges. Without revenue decoupling, the companies, who are now required by the Commission to sell less of their product, will be unable to achieve the rate of return authorized by the Commission. That, correspondingly, will make further investment in the energy companies regulated by the Commission less attractive to investors. Customers will also be harmed, because this reaction will increase the cost of capital borne by customers and will reduce a major benefit of energy efficiency programs, i.e., to lower customer bills.

The Draft Policy Statement, authored by Chairman Mayes, recognizes the need to implement full revenue decoupling in tandem with the requirements to achieve aggressive levels of demand reductions through energy efficiency measures. In order to meet these goals, AIC also notes that companies will need to implement, and the Commission will need to approve, substantial customer education and outreach programs similar to those undertaken in the renewables area.

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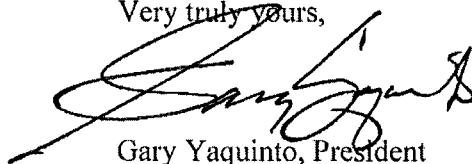
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COMMUNICATIONS INFRASTRUCTURE

Letter to Commissioners
November 3, 2010
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AIC fully supports the Draft Policy Statement and strongly urges the Commission to adopt it. The release of the Draft Policy Statement and the Commission's commitment to consider its adoption has been met with great enthusiasm by the investor community. Its adoption will facilitate further investment in Arizona's energy future and encourage job creation and economic growth.

Very truly yours,

A handwritten signature in black ink, appearing to read "Gary Yaquinto", with a stylized flourish at the end.

Gary Yaquinto, President
Arizona Investment Council

Original and 15 copies filed with Docket
Control this 3rd day of November, 2010.